IT Operational Oversight Committee

SMART Computing Funding Model

October 31, 2011

Project Title – SMART Computing Funding Model

Project Team –

- Sandy Amass, School of Veterinary Medicine – Admin, Assoc. Dean Engagement/Prof VCS
- Patricia Davies, Mechanical Engineering, Director Herrick Labs/Professor Mechanical Engineering
- Mary Catherine Gaisbauer, Comptroller
- Tim Gennett, Vice President-Housing and Food Service, Director Physical Facilities/HFS
- Bruce Hufford, University Development Office, Senior Director of Giving and Stewardship
- Jim Lehman, College of Education-Administration, Assoc. Dean Disc and Faculty Development

Executive Summary –

SMART Computing should be funded in the near term from the following sources:

| Strategic Sourcing rebate from computer spend: | $50,000 |
| SMART Computing fee on new enrolled computers (2,000 @ $25 each): | $50,000 |
| Central IT support: | $100,000 |
| **Total Sum:** | **$200,000** |

Overview

The SMART Computing initiative was established several years ago as a collaborative effort among IT professionals from many campus departments. Goals of the program included establishing a standard platform for desktops and laptops used by these departments and providing tools for configuration management and patch management. Establishing the standard platform resulted in a cost savings per computer of $200 for computers purchased through the SMART computing program. Each computer thus purchased was assessed a $100, one-time fee to support the ongoing operational costs of SMART Computing, resulting in a net $100 saving to the computer buyer while allowing the computer to be served by the SMART Computing tools going forward.

In 2010, Strategic Sourcing integrated the ordering process for SMART Computing computers into the SRM environment, not only eliminating the SMART Computing price advantage but actually making SMART Computing computers more expensive due to the additional $100 support fee assessed.

SMART Computing’s budget for FY2012 totals about $214,000 with HR costs accounting for about 93% of the total. In December 2010 the program began operating with an interim funding model, charging each new computer purchased through the program a one-time $25 fee while using reserves to fund the balance of the operating expenses. The number of computers purchased under this funding model has not declined relative to the original funding model, suggesting that at least a $25 surcharge is not a barrier to participation. It is estimated that, under this interim funding model, reserves will be exhausted in June 2012, effectively creating a “drop dead” date for having a new funding model in place.

Importance of SMART Computing
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SMART Computing provides a timely and cost effective way for IT professionals to provide patch management to computers participating in the program. Of particular importance is the ability to quickly update anti-virus software and push security patches to operating systems and application software, improving the security of campus IT through reduced exposure to hacking. To date, about 9,000 computers are enrolled in the program or just over half of the estimated 16,000 desktop computers on campus. At least one large academic IT support department indicates they hope to significantly expand the number of computers participating in the program. If SMART Computing terminates due to lack of a viable funding model, the work being done through the program will still need to be done but will be accomplished in a less efficient way and, potentially, with more opportunities for computers to be “unpatched” and, therefore, vulnerable to hackers. Everyone affiliated with SMART Computing speaks highly of the program and the need to continue the program in some form that encourages maximum participation across the University.

Members of the SMART Computing steering committee also speak of the benefits of collaboration brought to the campus IT community through SMART Computing, as the SMART Computing coalition has served as a springboard to other worthwhile, collaborative efforts.

Funding Options Considered
For purposes of discussion, five funding models were outlined below as potential funding models. These models are conceptual in nature and operational/practical details were not been fully considered.

1. Procurement surcharge: Every desktop computer (or a specific subset of desktop computers) purchased through the University will be assessed a surcharge at the time of purchase. The proceeds from this surcharge will be used to fund SMART Computing.

2. Fund as a central IT expense: the costs associated with SMART Computing would become a central IT expense, similar to the cost to operate email programs/services or the cost to provide McAfee antivirus and security software downloads for use on non-Purdue owned equipment.

3. Local IT desktop support groups (schools/colleges/departments along with central desktop support) would fund SMART Computing from their operating budgets.

Each of these options has its own set of strengths and weaknesses along with collateral issues. One particular issue associated with option 3 stems from the various ways local IT desktop support groups are funded, possibly making it more difficult for some groups to acquire or dedicate the additional funds that would be necessary. It has been suggested to the subcommittee that an annual enrollment fee per computer under option 3 would be in the $20 range, resulting in a significant cost liability to a department responsible for maintaining a thousand or more computers. This situation serves as an entrée to the larger and more complicated issue of how desktop support is managed and funded throughout the campus.
However, a study of desktop support goes way beyond the charge to our subcommittee, suggesting a 4th possible option:

4. Fund SMART Computing as a central IT expense on an interim basis pending a study to establish an appropriate funding model for campus-wide desktop support.

A 5th option was introduced and is outlined below:

5. In lieu of a procurement surcharge; allow SMART Computing to claim the 2% rebate that is associated with computers purchased through SMART Computing. The proceeds from this rebate would be used to fund SMART Computing. Federal regulations require that a rebate be refunded back to any sponsored program funding the purchase; SMART Computing could legitimately claim to keep the 2% rebate associate with computers ordered through them as they are adding value to the final product via the tools and services they provide. The rebates are currently being deposited to the general fund as unbudgeted revenue. Repurposing the 2% associated with purchasing computers through the SMART Computing program to fund SMART Computing would not divert funding from some other department which relies on this specific revenue.

Recommendation(s) –
SMART Computing should be funded in the near term from the following sources:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Strategic Sourcing rebate from computer spend:</td>
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This model is conceptual in nature and operational/practical details have not been fully considered. It should be implemented pending a study to establish an appropriate funding model for campus-wide desktop support.